



Financial Statements

Merrimack College

June 30, 2024 and 2023

MERRIMACK COLLEGE

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Merrimack College
North Andover, Massachusetts

Opinion

We have audited the financial statements of Merrimack College (the "College"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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¹ In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.¹

Boston, Massachusetts
November 1, 2024

¹ In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

MERRIMACK COLLEGE

Statements of Financial Position

June 30,

2024

2023

Assets

| | | |
|-------------------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 49,245,446 | \$ 55,340,238 |
| Contributions receivable, net | 3,148,798 | 2,582,471 |
| Accounts and loans receivable, net | 10,387,561 | 8,497,419 |
| Other assets | 4,325,023 | 2,391,844 |
| Investments | 90,660,770 | 78,930,552 |
| Deposits with bond trustees | 32,597,767 | 32,616,229 |
| Land, buildings, and equipment, net | 211,993,671 | 200,116,904 |
| Total assets | \$ 402,359,036 | \$ 380,475,657 |

Liabilities and Net Assets

Liabilities:

| | | |
|---|--------------------|--------------------|
| Accounts payable and accrued expenses | \$ 19,512,785 | \$ 18,355,325 |
| Student deposits and deferred revenue | 17,360,244 | 16,365,645 |
| Bonds payable | 153,821,630 | 156,592,340 |
| Refundable U.S. government grants for student loans | 762,384 | 1,101,702 |
| Total liabilities | 191,457,043 | 192,415,012 |

Net assets:

| | | |
|---|-----------------------|-----------------------|
| Without donor restrictions | 125,615,886 | 115,084,596 |
| With donor restrictions | 85,286,107 | 72,976,049 |
| Total net assets | 210,901,993 | 188,060,645 |
| Total liabilities and net assets | \$ 402,359,036 | \$ 380,475,657 |

MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2024
(with comparative totals for 2023)

| | 2024 | | 2023 | |
|---|---|--|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Operating revenue: | | | | |
| Tuition and fees, net (less scholarship aid to students of \$119,501,639 and \$111,425,791, respectively) | \$ 115,517,926 | \$ - | \$ 115,517,926 | \$ 107,329,702 |
| Grant revenues | 6,189,965 | - | 6,189,965 | 3,877,302 |
| Contributions | 598,022 | 2,832,759 | 3,430,781 | 2,418,518 |
| Investment return utilized for operations | 889,245 | 2,596,472 | 3,485,717 | 3,275,337 |
| Auxiliary enterprises | 56,437,140 | - | 56,437,140 | 52,983,261 |
| Other revenue | 6,841,308 | - | 6,841,308 | 4,829,070 |
| Total revenues | 186,473,606 | 5,429,231 | 191,902,837 | 174,713,190 |
| Net assets released from restrictions | 2,741,872 | (2,741,872) | - | - |
| Total revenues and net assets released from restrictions | 189,215,478 | 2,687,359 | 191,902,837 | 174,713,190 |
| Expenses: | | | | |
| Instruction | 55,169,052 | - | 55,169,052 | 53,219,583 |
| Student services | 42,636,175 | - | 42,636,175 | 37,955,157 |
| Academic support | 18,704,467 | - | 18,704,467 | 18,429,485 |
| Institutional support | 30,085,133 | - | 30,085,133 | 25,143,322 |
| Auxiliary enterprises | 35,420,727 | - | 35,420,727 | 32,246,212 |
| Total expenses | 182,015,554 | - | 182,015,554 | 166,993,759 |
| Change in net assets from operations | 7,199,924 | 2,687,359 | 9,887,283 | 7,719,431 |
| Nonoperating activities: | | | | |
| Investment return, net of amounts utilized for operations | 1,714,890 | 6,739,619 | 8,454,509 | 4,047,475 |
| Contributions | 1,615,025 | 2,884,602 | 4,499,627 | 6,791,605 |
| Change in value of split interest obligations | (6,648) | (1,522) | (8,170) | 23,917 |
| Other changes | 8,099 | - | 8,099 | - |
| Nonoperating expense | - | - | - | (315,000) |
| Change in net assets from nonoperating activities | 3,331,366 | 9,622,699 | 12,954,065 | 10,547,997 |
| Change in net assets | 10,531,290 | 12,310,058 | 22,841,348 | 18,267,428 |
| Net assets, beginning of year | 115,084,596 | 72,976,049 | 188,060,645 | 169,793,217 |
| Net assets, end of year | \$ 125,615,886 | \$ 85,286,107 | \$ 210,901,993 | \$ 188,060,645 |

MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2023

| | 2023 | | |
|---|---|--|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating revenue: | | | |
| Tuition and fees, net (less scholarship aid to students of \$111,425,791) | \$ 107,329,702 | \$ - | \$ 107,329,702 |
| Grant revenues | 3,877,302 | - | 3,877,302 |
| Contributions | 674,719 | 1,743,799 | 2,418,518 |
| Investment return utilized for operations | 835,659 | 2,439,678 | 3,275,337 |
| Auxiliary enterprises | 52,983,261 | - | 52,983,261 |
| Other revenue | 4,829,070 | - | 4,829,070 |
| Total revenues | 170,529,713 | 4,183,477 | 174,713,190 |
| Net assets released from restrictions | 4,019,835 | (4,019,835) | - |
| Total revenues and net assets released from restrictions | 174,549,548 | 163,642 | 174,713,190 |
| Expenses: | | | |
| Instruction | 53,219,583 | - | 53,219,583 |
| Student services | 37,955,157 | - | 37,955,157 |
| Academic support | 18,429,485 | - | 18,429,485 |
| Institutional support | 25,143,322 | - | 25,143,322 |
| Auxiliary enterprises | 32,246,212 | - | 32,246,212 |
| Total expenses | 166,993,759 | - | 166,993,759 |
| Change in net assets from operations | 7,555,789 | 163,642 | 7,719,431 |
| Nonoperating activities: | | | |
| Investment return, net of amounts utilized for operations | 888,980 | 3,158,495 | 4,047,475 |
| Contributions | - | 6,791,605 | 6,791,605 |
| Change in value of split interest obligations | 26,016 | (2,099) | 23,917 |
| Other changes | 12,321 | (12,321) | - |
| Nonoperating expense | (315,000) | - | (315,000) |
| Change in net assets from nonoperating activities | 612,317 | 9,935,680 | 10,547,997 |
| Change in net assets | 8,168,106 | 10,099,322 | 18,267,428 |
| Net assets, beginning of year | 106,916,490 | 62,876,727 | 169,793,217 |
| Net assets, end of year | \$ 115,084,596 | \$ 72,976,049 | \$ 188,060,645 |

MERRIMACK COLLEGE

Statements of Cash Flows

Years Ended June 30,

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 22,841,348 | \$ 18,267,428 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,736,275 | 8,162,000 |
| Provision for expected credit loss | (945,163) | (1,015,484) |
| Realized and unrealized gains on investments | (10,014,192) | (5,565,429) |
| Contributions received for long-term investment | (2,294,418) | (6,791,605) |
| Changes in operating assets and liabilities excluding cash: | | |
| Accounts and loans receivable | (1,365,390) | (121,461) |
| Contributions receivable | (566,327) | (199,365) |
| Other assets | (1,933,179) | (182,647) |
| Accounts payable and accrued expenses | (2,785,923) | (1,106,515) |
| Student deposits and deferred revenue | 994,599 | 5,692,216 |
| Net cash provided by operating activities | 13,667,630 | 17,139,138 |
| Cash flows from investing activities: | | |
| Change in deposits with bond trustees | 18,462 | (10,038,101) |
| Cash paid for purchase of land, buildings, and equipment | (17,742,228) | (24,714,352) |
| Purchase of investments | (71,273,825) | (31,052,295) |
| Proceeds from sale of investments | 69,557,799 | 25,865,217 |
| Net cash used in investing activities | (19,439,792) | (39,939,531) |
| Cash flows from financing activities: | | |
| Proceeds from the issuance of new debt | - | 33,220,000 |
| Repayments of line of credit | - | (10,000,000) |
| Repayments of bonds payable | (2,698,141) | (2,303,807) |
| Contributions received for long-term investment | 2,294,418 | 6,791,605 |
| Net change in refundable U.S. government grants | 81,093 | (14,992) |
| Net cash (used in) provided by financing activities | (322,630) | 27,692,806 |
| Net change in cash and cash equivalents | (6,094,792) | 4,892,413 |
| Cash and cash equivalents and restricted cash, beginning of year | 55,340,238 | 50,447,825 |
| Cash and cash equivalents and restricted cash, end of year | \$ 49,245,446 | \$ 55,340,238 |
| Supplemental data: | | |
| Cash paid during the year for interest | \$ 7,337,253 | \$ 6,315,558 |
| Change in construction costs accrued and unpaid | \$ 2,460,408 | \$ 210,370 |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 1 - Organization

Merrimack College (the “College” or “Merrimack”) is a private, coeducational institution with a Catholic tradition that currently offers undergraduate and graduate programs for a variety of degrees. The College provides academic, residential and other services to a diverse student population. The College was founded by the members of the Order of Saint Augustine, Province of Saint Thomas of Villanova (the “Order”), and that Province of the Order has had, and always shall have, a special relationship to the College. No action in any way altering such relationship or the mission of the College shall be valid unless approved by the unanimous vote or consent of those Trustees in office who are members of the Order. The Order also maintains certain special powers such as approving a list of candidates to be president of the College. In addition, the Order also shall maintain board seats which constitute 20% or more of the College’s Trustees at any time. These elements are to ensure that the College will continue to focus its mission on enlightening minds, engaging hearts, and empowering lives.

The College has enrollment of over 5,000 students predominantly from the Northeast region of the United States along with enrollment of students from most states in the country. The College also enrolls students from over thirty countries. Merrimack is accredited by the New England Commission of Higher Education, Inc., as its primary accreditor, but the College also has other accreditations when it deems it useful or required in terms of providing evidence of further rigor and discipline in certain programs of study. The College participates in student financial aid programs sponsored by the United States Department of Education (“DOE”), and to a much lesser extent individual states, which provides financial support for students. These programs generally facilitate the payment of a significant portion of tuition and other expenses incurred by students when they meet certain eligibility requirements as determined by the College’s financial aid office and are subject to after the fact review by the funders.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence of or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions funds to function as endowment. Net assets without donor restrictions also include investment in plant, net of accumulated depreciation and related bond obligations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include short-term securities with maturities at date of purchase of three months or less and are reported at cost plus earned interest. Certain accounts exceed insured limits while others do not include deposit insurance. The College has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments. Cash includes amounts restricted for a student loan program in the amount of \$474,086 and \$707,589 for the years ended June 30, 2024 and 2023, respectively.

Contributions Receivable

Contributions receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. Such amounts are initially recorded at fair market value using Level 2 inputs as described in the fair value policies later in this section. An allowance is provided for uncollectable amounts based on management's estimates including historical experience, specific review of circumstances and other factors.

Accounts and Loans Receivable and Refundable U.S. Government Grants for Student Loans

Accounts and loans receivable are stated net of allowance for credit losses of \$5,535,850 and \$4,700,479 for the years ended June 30, 2024 and 2023, respectively. Loans receivable represent amounts due from students under the Federal Perkins Loan Program ("Perkins Loans").

The College estimates expected credit losses as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The College records the estimate of expected credit losses as an allowance for credit losses. Changes in the allowance for credit losses are reported in credit loss expense. An account is considered uncollectible when all efforts to collect the account have been exhausted.

Included in the loans noted above are \$157,349 and \$1,024,695 considered past due as of June 30, 2024 and 2023, respectively, however credit risk with these loans is somewhat limited given the rules associated with Perkins Loans that allow properly administered loans to be conveyed back to the DOE in exchange for a reduction in refundable U.S. government grants for student loans and, accordingly, reserves required for these loans are modest. The College has omitted detailed disclosures given the amounts involved.

Investments

Investments are carried at fair value. Fair value is determined based on the fair value policies described in this section.

Net investment return (loss) is reported in the statements of activities and consists of interest, dividends, realized and unrealized gains and losses net of external direct investment expenses. Returns are allocated to the underlying source of the funds when such funds are received with donor restrictions with other returns being considered without donor restrictions.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The College reports required types of financial instruments in accordance with the fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and to minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine recurring reported fair values of certain instruments by classifying such into three categories based on the nature of the inputs used. The fair value standards also require certain items be recorded at fair value when received on a non-recurring basis, such as long-term contributions receivable. In addition, the College reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient" of fair value. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met with such category being separate and apart from the three basic categories of fair value items. The categories other than the NAV method are as follows:

- Level 1 – Quoted prices in active markets for identical instruments as of the reporting date. Instruments within this category generally include listed equity securities, publicly traded mutual funds and certain funds that are much the same as public funds traded on stock or other exchanges.*
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly as of the reporting date. Instruments in this category most often require the use of a model commonly used in valuation, such as an interest rate of like duration and risk that would assist in determining pricing of the instrument.*
- Level 3 – Pricing inputs are unobservable given little, if any, market activity for the instrument. The inputs for such require significant judgment such as an appraisal or other method. Instruments in this category include certain types of private equity that are not eligible for NAV valuation and beneficial interests in perpetual trusts.*

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 5 - Investments and Fair Value Measurements.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits with Bond Trustees

Deposits with bond trustees are reported at fair value as per the fair value policies described elsewhere in this section. These amounts relate to funds held under bond indentures for debt service and project funds. Project funds are made available from the trustees as qualifying project costs are incurred while debt service funds must be maintained per the indentures at specified levels over the term of the agreement.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost when the useful life is over one year and when such amounts exceed a management established threshold, less accumulated depreciation. Depreciation is provided for on the straight-line basis over the estimated useful lives of the respective assets. If an asset is donated to the College, such amounts are recorded at fair value using Level 3 fair value methods as described elsewhere in this section at the date of the gift. Major betterments are capitalized while maintenance and repairs are expensed when incurred.

Student Deposits and Deferred Revenue

Student deposits represent reservation deposits and other advance payments by students on account. Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis.

Bonds Payable, Bond Issuance Costs and Bond Premiums and Discounts

Bonds payable are reported at the face value of the remaining obligation under the related debt, net of issuance costs. Costs incurred and underwriting discounts or premiums of bonds are capitalized and are included as part of bonds payable. Such amounts are amortized over the lives of the respective debt issues.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from federal income taxes pursuant to Section 501(a) of the Code. The College is also generally exempt from state income taxes. Given the limited taxable activities of the College, management concluded that such disclosures related to tax provisions are not necessary.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

The College is required to assess uncertain tax positions. The College has determined that its tax status and decisions over which activities are related and unrelated are its only tax positions and that such positions do not result in an uncertainty requiring recognition. The College's Federal and state tax returns are generally open for examination for three years following the date filed. No examinations are currently in process.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions.

Earned Revenue

Earned revenues are recorded using a principles based process that requires the College 1) Identify the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. Earned revenues include tuition and fees as well as sales and services of auxiliary enterprises, all of which are under arrangements that are aligned to an academic semester and which is less than one year in length.

The College derives revenues primarily through tuition, fees and auxiliary services. Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but most allow for up to a 100% refund within 15 days of the start of classes. In most cases, after 15 days, no refund is available. Given the normal timing of the College's programs, the exposure to such is limited at year end.

Payments made by third parties such as DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the College. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Earned Revenue (Continued)

Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The College's principle line of business is traditional undergraduate education and graduate programs. The following table summarizes the percentages of revenue from each of these programs with auxiliary enterprises being ascribed to the program from which such revenues are derived.

| Revenue | 2024 | 2023 |
|----------------|-------------|-------------|
| Undergraduate | 89% | 90% |
| Graduate | 11% | 10% |

Contributed Support

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in this section. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of land, buildings, and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Conditional contributions, including grants, are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items such as meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Net Investment Return

Net investment return consists of interest and dividend income and realized and unrealized gains and losses, less any external investment expenses. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Operating and Nonoperating Activity

The accompanying statements of activities present the change in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College's educational programs, research, training and supporting activities. Operating revenues also include investment return pursuant to the College's spending rate policy earned on investments held for endowment and similar purposes. Investment returns in excess of or less than the spending rate are considered nonoperating. In addition, contributions raised for capital expenditures and endowment are also considered nonoperating along with other nonrecurring items.

Functional Allocation of Expenses

Expenses are reported as decreases in net assets without donor restrictions. The statements of activities present expenses by functional classification. Building operations and maintenance costs, including depreciation, are allocated based on square footage. Interest expense is allocated based on square footage applied to the functional purpose for which debt proceeds were used.

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. Expenses are also presented later within these footnotes by natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

The College has evaluated all events or transactions that occurred after June 30, 2024 up through November 1, 2024, the date these financial statements were issued.

Subsequent to year end, the College as lessor entered into a ground lease, for approximately 40 years, with a developer for land on the College's campus. The executed ground lease set forth terms to which the developer will lease the site, and develop a new student residential housing community consisting of 540 beds and other associated amenities including academic spaces (the "Project"). The Project will be owned and operated by the developer throughout the term of the ground lease. The developer will finance the development, construction and operation of the project improvements during the term of the ground lease with no recourse to the College. The developer will contract with a project company to design and construct the new project; and the developer will enter into an agreement with a property manager who will manage, as agent for the project company, the project. The College will provide certain support provisions which are limited and not considered significant to the project. The developer is an unrelated third party to the College. Upon termination of the ground lease, the project will revert to the College. Base rent owed to the College by the developer for the ground lease is the greater of \$1 or the net available cash flow from the project, as defined in the ground lease. Construction is expected to begin during fiscal year 2025 and is expected to be complete for fiscal year 2027. Management of the College is evaluating the arrangement on a forward basis and expects that the transaction will not be required to be recorded in the statement of financial position in fiscal year ended June 30, 2025.

Note 3 - Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and its line of credit. The College has a liquidity and operating reserve policy which is written and monitored by its Investment, Finance, Audit & Risk Management Committee of the Board of Trustees. The liquidity and operating reserve policy establishes certain minimum thresholds for cash balances and provides guidance to remedy any situation should cash balances be less than the established threshold.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are ultimately refundable to the government, therefore, not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College operates with a budget surplus and anticipates collecting revenue in excess of its general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for the years ended June 30, 2024 and 2023.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 3 - Liquidity and Availability (Continued)

Although not expected to be needed, the spendable yet restricted portion of the College's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. In addition, the College has approximately \$17.0 million and \$15.4 million of Board-designated endowment funds available without donor restrictions as of June 30, 2024 and 2023, respectively. The College has no intentions of utilizing these funds above the budgeted spending per the endowment spending policy, however, since these funds are without donor restrictions they could be used to meet cash needs if necessary.

As of June 30, 2024 and 2023, the following tables show the total financial assets held by the College and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

| | 2024 | 2023 |
|--|------------------------------|------------------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 49,245,446 | \$ 55,340,238 |
| Contributions receivable, net | 3,148,798 | 2,582,471 |
| Accounts and loans receivable, net | 10,387,561 | 8,077,008 |
| Investments convertible to cash in the next 12 months | <u>79,157,322</u> | <u>69,881,957</u> |
| Total financial assets at year end | <u>\$ 141,939,127</u> | <u>\$ 135,881,674</u> |
| Financial assets available to meet general expenditures over the next 12 months: | | |
| Cash and cash equivalents | \$ 48,771,360 | \$ 54,632,649 |
| Contributions for general expenditures due in one year or less | 72,500 | 715,722 |
| Accounts receivable due in one year or less | 8,636,039 | 7,341,159 |
| Investment return and appropriation | 3,709,351 | 3,512,953 |
| Investments not encumbered by donor or board restrictions | <u>3,781,397</u> | <u>2,679,423</u> |
| Total financial assets available to meet general expenditures over the next 12 months | <u>\$ 64,970,647</u> | <u>\$ 68,881,906</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 4 - Contributions Receivable, Net

Contributions receivable are expected to be realized as follows at June 30:

| | 2024 | 2023 |
|---|----------------------------|----------------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 137,500 | \$ 307,973 |
| One year to five years | 3,230,057 | 2,279,665 |
| Five years and thereafter | <u>300,000</u> | <u>415,000</u> |
| Allowance for discount and doubtful pledges | <u>3,667,557</u> | <u>3,002,638</u> |
| | <u>(518,759)</u> | <u>(420,167)</u> |
| Contributions receivable, net | <u>\$ 3,148,798</u> | <u>\$ 2,582,471</u> |

Conditional contributions pending incursion of qualified expenditures were approximately \$7,600,000 and \$9,900,000 at June 30, 2024 and 2023, respectively.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 5 - Investments and Fair Value Measurements

The valuation of the College's financial instruments by the fair value hierarchy consisted of the following at June 30:

| | 2024 | | | |
|--|------------------------------|----------------------------|----------------------------|------------------------------|
| | Level 1 | Level 3 | NAV | Total |
| Assets | | | | |
| Deposits with bond trustees: | | | | |
| Debt service reserve with trustee: | | | | |
| Cash and cash equivalents | \$ 3,495,297 | \$ - | \$ - | \$ 3,495,297 |
| Total debt service reserve with trustee | <u>3,495,297</u> | <u>-</u> | <u>-</u> | <u>3,495,297</u> |
| Unexpended bond proceeds: | | | | |
| Cash and cash equivalents | 29,102,470 | - | - | 29,102,470 |
| Total unexpended bond proceeds | <u>29,102,470</u> | <u>-</u> | <u>-</u> | <u>29,102,470</u> |
| Total deposits with bond trustees | <u>32,597,767</u> | <u>-</u> | <u>-</u> | <u>32,597,767</u> |
| Investments | | | | |
| Working capital investments: | | | | |
| Cash and cash equivalents | 3,043,180 | - | - | 3,043,180 |
| U.S. and international bond funds | 90,658 | - | - | 90,658 |
| U.S. and international equity funds | 647,559 | - | - | 647,559 |
| Total working capital investments | <u>3,781,397</u> | <u>-</u> | <u>-</u> | <u>3,781,397</u> |
| Long-term investments (endowment): | | | | |
| Cash and cash equivalents | 1,390,476 | - | - | 1,390,476 |
| U.S. and international bond funds | 12,260,096 | - | - | 12,260,096 |
| U.S. and international equity funds | 55,212,810 | - | - | 55,212,810 |
| Private equity and venture capital funds | 6,512,543 | 7,860,135 | 3,643,313 | 18,015,991 |
| Total long-term investments (endowment) | <u>75,375,925</u> | <u>7,860,135</u> | <u>3,643,313</u> | <u>86,879,373</u> |
| Total investments | <u>79,157,322</u> | <u>7,860,135</u> | <u>3,643,313</u> | <u>90,660,770</u> |
| Total assets at fair value | <u>\$ 111,755,089</u> | <u>\$ 7,860,135</u> | <u>\$ 3,643,313</u> | <u>\$ 123,258,537</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 5 - Investments and Fair Value Measurements (Continued)

The valuation of the College's financial instruments by the fair value hierarchy consisted of the following at June 30:

| | 2023 | | | |
|--|------------------------------|----------------------------|----------------------------|------------------------------|
| | Level 1 | Level 3 | NAV | Total |
| Assets | | | | |
| Deposits with bond trustees: | | | | |
| Debt service reserve with trustee: | | | | |
| Cash and cash equivalents | \$ 5,054,009 | \$ - | \$ - | \$ 5,054,009 |
| Total debt service reserve with trustee | <u>5,054,009</u> | <u>-</u> | <u>-</u> | <u>5,054,009</u> |
| Unexpended bond proceeds: | | | | |
| Cash and cash equivalents | 27,562,220 | - | - | 27,562,220 |
| Total unexpended bond proceeds | <u>27,562,220</u> | <u>-</u> | <u>-</u> | <u>27,562,220</u> |
| Total deposits with bond trustees | <u>32,616,229</u> | <u>-</u> | <u>-</u> | <u>32,616,229</u> |
| Investments | | | | |
| Working capital investments: | | | | |
| Cash and cash equivalents | 1,912,738 | - | - | 1,912,738 |
| U.S. and international bond funds | 181,184 | - | - | 181,184 |
| U.S. and international equity funds | 585,501 | - | - | 585,501 |
| Total working capital investments | <u>2,679,423</u> | <u>-</u> | <u>-</u> | <u>2,679,423</u> |
| Long-term investments (endowment): | | | | |
| Cash and cash equivalents | 832,406 | - | - | 832,406 |
| U.S. and international bond funds | 13,223,053 | - | - | 13,223,053 |
| U.S. and international equity funds | 43,783,954 | - | - | 43,783,954 |
| Private equity and venture capital funds | 9,363,121 | <u>5,332,691</u> | <u>3,715,904</u> | <u>18,411,716</u> |
| Total long-term investments (endowment) | <u>67,202,534</u> | <u>5,332,691</u> | <u>3,715,904</u> | <u>76,251,129</u> |
| Total investments | <u>69,881,957</u> | <u>5,332,691</u> | <u>3,715,904</u> | <u>78,930,552</u> |
| Total assets at fair value | <u>\$ 102,498,186</u> | <u>\$ 5,332,691</u> | <u>\$ 3,715,904</u> | <u>\$ 111,546,781</u> |

Unfunded capital commitments amounted to \$670,909 and \$810,675 at June 30, 2024 and 2023, respectively. The College has no plans or intentions to liquidate any of its investments using NAV methods at other than the ordinary course as allowed under such instruments.

At June 30, 2024 and 2023, the College holds an investment amounting to \$7,860,135 and \$5,332,691, respectively, in a company that provides consulting services to the College. Expense for services rendered by this entity amounted to \$6,191,935 and \$6,309,467 for the years ended June 30, 2024 and 2023, respectively.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 5 - Investments and Fair Value Measurements (Continued)

Redemption/liquidity of investments were as follows at June 30, 2024:

| <u>Permissible Investment Redemption Frequency</u> | <u>Fair Value Redeemable</u> |
|---|---|
| Daily | \$ 79,157,322 |
| Illiquid (>365 Days) | <u>11,503,448</u> |
| Total | <u>\$ 90,660,770</u> |

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

| | 2024 | 2023 |
|---|-----------------------------|----------------------------|
| Long-term investment return utilized - operating activities | \$ 3,485,717 | \$ 3,275,337 |
| Long-term investment return - nonoperating activities | <u>8,454,509</u> | <u>4,047,475</u> |
| Total return | <u>\$ 11,940,226</u> | <u>\$ 7,322,812</u> |

During 2024 and 2023, the College purchased \$0 and \$2,000,000 of Level 3 investments, respectively. The investments were valued using recent market transactions in 2024 and 2023 with no unobservable inputs. The 2024 increase in fair value is based on a market transaction which occurred during the fiscal year which resulted in an unrealized gain of approximately \$2,500,000 in 2024. There were no transfers in or out of Level 3 during 2024 or 2023.

Note 6 - Land, Buildings, and Equipment, Net

The College's investment in land, buildings, and equipment is as follows at June 30:

| | <i>Estimated Lives</i> | 2024 | 2023 |
|---|-----------------------------------|------------------------------|------------------------------|
| Land | | \$ 9,790,240 | \$ 9,790,240 |
| Land improvements | 10 - 30 years | 26,164,699 | 25,390,131 |
| Buildings and components | 50 years | 258,652,776 | 244,197,895 |
| Furniture and equipment | 5 years | 60,760,082 | 59,820,269 |
| Automobiles and trucks | 5 - 7 years | 1,711,160 | 1,567,788 |
| Capital leases | 3 - 4 years | 1,620,732 | 1,620,732 |
| General use equipment | 10 years | 5,260,703 | - |
| Heavy use equipment | 20 years | 1,309,580 | - |
| Construction in progress | | <u>327,233</u> | <u>1,556,452</u> |
| Accumulated depreciation and amortization | | <u>365,597,205</u> | <u>343,943,507</u> |
| | | <u>(153,603,534)</u> | <u>(143,826,603)</u> |
| | | <u>\$ 211,993,671</u> | <u>\$ 200,116,904</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 6 - Land, Buildings, and Equipment, Net (Continued)

Depreciation expense was \$9,808,844 and \$8,993,300 for the years ended June 30, 2024 and 2023, respectively.

Note 7 - Leases

The College is committed to minimum annual rent payments under several long-term non-cancellable financing and operating leases for equipment, and educational and office space through fiscal year 2027. Right-of-use assets totaling \$112,793 are included in other assets and operating lease liabilities totaling \$120,061 are included in accounts payable and accrued expenses at June 30, 2024.

The components of lease expense are as follows for the years ended June 30:

| | 2024 | 2023 |
|-------------------------------------|----------------------------|----------------------------|
| Lease cost | | |
| Finance lease expense | | |
| Amortization of right-of-use assets | \$ 198,126 | \$ 160,020 |
| Interest on lease liabilities | 7,355 | 10,608 |
| Operating lease expense | 199,086 | 281,924 |
| Short-term lease expense | <u>6,990,468</u> | <u>5,998,711</u> |
| Total lease cost | <u>\$ 7,395,035</u> | <u>\$ 6,451,263</u> |

| | 2024 | 2023 |
|--|-------------|-------------|
| Other Information | | |
| Weighted average remaining lease term - finance leases | 1.56 Years | 2.79 Years |
| Weighted average remaining lease term - operating leases | 1.67 Years | 1.93 Years |
| Weighted average discount rate - finance leases | 1.78% | 1.99% |
| Weighted average discount rate - operating leases | 3.40% | 3.05% |

Payments due include options to extend leases that are reasonably certain through fiscal year 2027 and are summarized below as of June 30, 2024:

| | <i>Operating</i> | <i>Finance</i> | <i>Total</i> |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| 2025 | \$ 73,283 | \$ 167,973 | \$ 241,256 |
| 2026 | 50,544 | 99,178 | 149,722 |
| 2027 | - | 31,465 | 31,465 |
| Less amounts representing interest | <u>(3,767)</u> | <u>(4,868)</u> | <u>(8,635)</u> |
| Total | <u>\$ 120,060</u> | <u>\$ 293,748</u> | <u>\$ 413,808</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 7 - Leases (Continued)

Subsequent to year end, the College entered into a four-year lease agreement for rental units.

Note 8 - Bonds Payable and Line of Credit

Bonds Payable

Bonds payable are as follows at June 30:

| | <i>Payments Through</i> | 2024 | 2023 |
|--|-----------------------------|------------------------------|------------------------------|
| Bonds payable: | | | |
| Massachusetts Development Finance Agency Bonds - Series 2014 | 2044 | \$ 19,630,000 | \$ 19,930,000 |
| Massachusetts Development Finance Agency Bonds - Series 2017 | 2047 | 28,225,000 | 28,435,000 |
| Massachusetts Development Finance Agency Bonds - Series 2021A-1 | 2042 | 48,181,827 | 50,104,968 |
| Massachusetts Development Finance Agency Bonds - Series 2021B | 2050 | 22,760,000 | 22,760,000 |
| Massachusetts Development Finance Agency Bonds - Series 2022 | 2052 | <u>32,955,000</u> | <u>33,220,000</u> |
| Total bonds payable | | 151,751,827 | 154,449,968 |
| Plus unamortized bond premium | | 4,488,781 | 4,668,413 |
| Less deferred bond issuance costs | | (1,482,964) | (1,551,994) |
| Less unamortized bond discount | | <u>(936,014)</u> | <u>(974,047)</u> |
| Total bonds payable | | <u>\$ 153,821,630</u> | <u>\$ 156,592,340</u> |

Bonds mature serially and have fixed interest rates ranging from 2.5% to 5.25%. The bonds each include a pledge of gross receipts of the College.

The College is required to maintain escrow accounts sufficient to pay one year's principal and interest on the Series 2014, Series 2017, Series 2021B and Series 2022 Bonds. Such amount is included in Deposits with bond trustees on the statement of financial position.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 8 - Bonds Payable and Line of Credit (Continued)

Bonds Payable (Continued)

Bonds payable are due as follows at June 30, 2024:

| | |
|------------|------------------------------|
| 2025 | \$ 2,846,980 |
| 2026 | 2,952,936 |
| 2027 | 3,066,084 |
| 2028 | 3,181,490 |
| 2029 | 3,299,236 |
| Thereafter | <u>136,405,101</u> |
| | <u>\$ 151,751,827</u> |

Interest expense net of amounts capitalized was \$5.4 million and \$5.3 million for the years ended June 30, 2024 and 2023, respectively. Interest expense capitalized was approximately \$100,000 and \$322,000 for the years ended June 30, 2024 and 2023, respectively.

Line of Credit

The College has an unsecured line of credit agreement with a bank. The line extends through March 16, 2025 in the amount of \$10,000,000. The note bears interest at a per annum rate equal to the SOFR Interest Rate. The actual rate was 5.33% at June 30, 2024. The line of credit includes a consecutive 15-day non-use provision, which must be met annually. There was no amount outstanding on the line of credit as of June 30, 2024 and 2023. Management intends to renew the line of credit in the ordinary course of business.

Note 9 - Endowment

The College's endowment consists of approximately 350 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments.

Interpretation of Relevant Law

The Board of the College has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College tracks the corpus of endowment type gifts.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 9 - Endowment (Continued)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not corpus is classified as unappropriated gains until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate from endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Return Objectives and Risk Parameters

The overall investment objective of the College is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment, Finance, Audit & Risk Management Committee, which oversees the College's investment program in accordance with established guidelines in consultation and collaboration with the College's investment advisors. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income, and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Strategies Employed for Achieving Investment Objectives

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. Nonetheless, to ensure liquidity for distributions and to facilitate rebalancing, the maximum allocation to illiquid assets, defined as funds locked-up for greater than one year, shall be limited to 30% of the funds' market value.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 9 - Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's current endowment spending policy allows for spending of 0% to 5% of the average of the fair value of qualifying endowment investments over the previous 12 quarters. The actual appropriation was \$3,485,717 and \$3,275,337 for an effective rate of 5% for both the years ended June 30, 2024 and 2023, respectively. The appropriation for the year ending June 30, 2025 is budgeted for \$3,709,351. Accordingly, over the long term, the College expects the current spending policy will allow its endowment to maintain its purchasing power. Additional real growth will be provided through new gifts and any excess investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported as reductions in unrestricted net assets. The amount of underwater funds at June 30, 2024 and 2023 were de minimis.

Endowment net assets consist of the following at June 30:

| | 2024 | | |
|----------------------------------|----------------------------------|-------------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$70,129,398 | \$70,129,398 |
| Board-designated endowment funds | <u>16,749,975</u> | <u>-</u> | <u>16,749,975</u> |
| Total endowed net assets | <u>\$16,749,975</u> | <u>\$70,129,398</u> | <u>\$86,879,373</u> |
| | 2023 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$60,857,037 | \$60,857,037 |
| Board-designated endowment funds | <u>15,394,092</u> | <u>-</u> | <u>15,394,092</u> |
| Total endowed net assets | <u>\$15,394,092</u> | <u>\$60,857,037</u> | <u>\$76,251,129</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 9 - Endowment (Continued)

Changes in endowment net assets are as follows for the years ended June 30, 2024 and 2023:

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|--|---|--|-----------------------------|
| Endowment net assets, June 30, 2022 | <u>\$ 14,569,785</u> | <u>\$ 51,139,660</u> | <u>\$ 65,709,445</u> |
| Total investment return | 1,416,963 | 5,855,040 | 7,272,003 |
| Contributions/additions | - | 6,499,476 | 6,499,476 |
| Appropriation of endowment assets for expenditure | (638,198) | (2,637,139) | (3,275,337) |
| Timing of prior year appropriations | <u>45,542</u> | <u>-</u> | <u>45,542</u> |
| Endowment net assets, June 30, 2023 | <u>15,394,092</u> | <u>60,857,037</u> | <u>76,251,129</u> |
| Total investment return | 2,286,086 | 9,574,415 | 11,860,501 |
| Contributions/additions | - | 2,294,418 | 2,294,418 |
| Appropriation of endowment assets for expenditure | (889,245) | (2,596,472) | (3,485,717) |
| Timing of prior year appropriations | <u>(40,958)</u> | <u>-</u> | <u>(40,958)</u> |
| Endowment net assets, June 30, 2024 | <u>\$ 16,749,975</u> | <u>\$ 70,129,398</u> | <u>\$ 86,879,373</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 10 - Net Assets

Net assets without donor restrictions consist of the following at June 30:

| | 2024 | 2023 |
|--|------------------------------|------------------------------|
| Net investment in land, buildings, and equipment | \$ 87,274,511 | \$ 71,086,784 |
| Board-designated endowment funds | 16,749,975 | 15,394,092 |
| Other funds | <u>21,591,400</u> | <u>28,603,720</u> |
| | <u>\$ 125,615,886</u> | <u>\$ 115,084,596</u> |

Net assets with donor restrictions consist of the following at June 30:

| | 2024 | 2023 |
|--|-----------------------------|-----------------------------|
| Accumulated unspent gains on endowment funds | <u>\$ 27,752,854</u> | <u>\$ 20,774,911</u> |
| Endowment corpus: | | |
| Instruction | 18,872,753 | 18,648,273 |
| General endowment | 1,681,954 | 1,656,954 |
| Student aid | 20,358,487 | 18,322,349 |
| Other | <u>1,463,350</u> | <u>1,454,550</u> |
| | <u>42,376,544</u> | <u>40,082,126</u> |
| Total invested endowment | <u>70,129,398</u> | <u>60,857,037</u> |
| Pledges receivable for endowment | <u>837,206</u> | <u>666,948</u> |
| Total endowment | <u>70,966,604</u> | <u>61,523,985</u> |
| Unspent purpose restricted gifts: | | |
| Instruction | 1,286,433 | 1,388,637 |
| Student services | 1,270,291 | 897,327 |
| Academic support | 2,118,900 | 1,305,483 |
| Student aid | 1,499,971 | 1,005,703 |
| Building projects | 6,234,679 | 4,852,546 |
| Other | <u>1,909,229</u> | <u>2,002,368</u> |
| | <u>14,319,503</u> | <u>11,452,064</u> |
| | <u>\$ 85,286,107</u> | <u>\$ 72,976,049</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 10 - Net Assets (Continued)

Net assets released from donor restrictions due to the passage of time and/or satisfying the restricted purposes specified by the donors were as follows for the years ended June 30:

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Operating purpose and/or time restriction: | | |
| Instruction | \$ 192,829 | \$ 350,823 |
| Student services | 578,506 | 161,323 |
| Academic support | 145,794 | 1,054,293 |
| Student aid | 1,790,688 | 2,258,810 |
| Other | <u>34,055</u> | <u>194,586</u> |
| | \$ 2,741,872 | \$ 4,019,835 |

Note 11 - Natural Classification of Expenses

The College's primary program service is academic instruction. Expenses reported as student services, academic support, institutional support and auxiliaries are incurred in support of this primary program activity. Expenses presented by natural classification and function are as follows for the fiscal years ended June 30:

| | 2024 | | | | | |
|-----------------------|--------------------------------------|--------------------------------------|---|--|---|------------------------------|
| | Salaries and Benefits | Supplies and Services | Occupancy and Related Expenses | Depreciation, Amortization and Interest | Other Operating Expenses | Total |
| Instruction | \$ 45,264,804 | \$ 2,010,167 | \$ 2,439,772 | \$ 3,782,066 | \$ 1,672,243 | \$ 55,169,052 |
| Student services | 20,821,743 | 6,137,247 | 3,026,822 | 3,458,624 | 9,191,739 | 42,636,175 |
| Academic support | 7,276,137 | 9,268,972 | 810,663 | 948,649 | 400,046 | 18,704,467 |
| Institutional support | 15,363,768 | 5,620,414 | 961,351 | 903,032 | 7,236,568 | 30,085,133 |
| Auxiliaries | <u>1,839,152</u> | <u>16,024,688</u> | <u>11,119,726</u> | <u>6,159,417</u> | <u>277,744</u> | <u>35,420,727</u> |
| Total expenses | <u>\$ 90,565,604</u> | <u>\$ 39,061,488</u> | <u>\$ 18,358,334</u> | <u>\$ 15,251,788</u> | <u>\$ 18,778,340</u> | <u>\$ 182,015,554</u> |

| | 2023 | | | | | |
|-----------------------|--------------------------------------|--------------------------------------|---|--|---|------------------------------|
| | Salaries and Benefits | Supplies and Services | Occupancy and Related Expenses | Depreciation, Amortization and Interest | Other Operating Expenses | Total |
| Instruction | \$ 44,217,916 | \$ 1,820,326 | \$ 2,085,855 | \$ 3,496,088 | \$ 1,599,398 | \$ 53,219,583 |
| Student services | 17,375,337 | 7,108,635 | 2,791,349 | 3,272,398 | 7,407,438 | 37,955,157 |
| Academic support | 6,442,647 | 9,570,261 | 752,891 | 891,808 | 771,878 | 18,429,485 |
| Institutional support | 13,083,034 | 4,738,057 | 1,100,627 | 769,806 | 5,451,798 | 25,143,322 |
| Auxiliaries | <u>1,820,887</u> | <u>14,361,085</u> | <u>10,023,541</u> | <u>5,888,755</u> | <u>151,944</u> | <u>32,246,212</u> |
| Total expenses | <u>\$ 82,939,821</u> | <u>\$ 37,598,364</u> | <u>\$ 16,754,263</u> | <u>\$ 14,318,855</u> | <u>\$ 15,382,456</u> | <u>\$ 166,993,759</u> |

MERRIMACK COLLEGE

Notes to Financial Statements

Note 11 - Natural Classification of Expenses (Continued)

Expenses associated with fundraising activities of the College were approximately \$4.4 million and \$4.1 million in 2024 and 2023, respectively, and are included in institutional support in the statements of activities.

Note 12 - Benefit Plan

The College provides a qualified defined contribution retirement annuity plan under Internal Revenue Service Code Section 403(b) for all eligible employees. Under this plan, the College and plan participants make contributions. The College's share of these contributions amounted to \$3,732,493 and \$3,331,683 for the years ended June 30, 2024 and 2023, respectively.

Note 13 - Commitments and Contingencies

Employment Agreements

The College has employment contracts with certain employees which extend over multiple fiscal years through 2026, and contain a variety of business terms typical in the education sector.

The College has in place a collective bargaining agreement with facilities employees. The agreement runs through June 30, 2025.

Commitments

The College has multiple agreements with a company to provide student housing for students based on demand and the agreements expire at various times through August 31, 2024. In August 2024, the College renewed these leases through August 31, 2025.

The College has an agreement with a company to operate the College's food services on campus, including the dining hall, providing the exclusive right to provide meals related to the meal plan, flex dollars, and the operation of all retail operations. The contract expires in 2032.

Contingencies

From time to time, the College is subject to claims and litigation arising in the ordinary course of business. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters, if any, will have a material adverse effect on its financial position, results of operations, or cash flows.

MERRIMACK COLLEGE

Notes to Financial Statements

Note 14 - Federal Support Associated with COVID-19

Federal Emergency Management Agency Disaster Assistance

The College was granted an award through Federal Emergency Management Agency (“FEMA”) to reimburse costs associated with controlling the spread of COVID-19. The College recorded grant revenue of \$873,561 for the year ended June 30, 2024. As of June 30, 2024, the College has applied for an additional \$4,729,381 of FEMA funding which is not recorded during 2024 given that it is conditional in nature.

Note 15 - Related-Party Transactions

The College remits to the Order lay equivalent salaries for those services provided by Order members. Remittances amounted to \$536,250 and \$546,884 for the years ended June 30, 2024 and 2023, respectively.

A member of the College’s Board of Trustees served in a senior management role with one of the College’s deposit and lending partners as of June 30, 2024. The College made all decisions related to the relationship in accordance with the procedures outlined in its by-laws and conflict of interest policy.